

# Retirement Readiness Report

*Helping older employees get ready to retire successfully*

*A free report for employers, unions, and pension funds, produced by RetirementWORKS®, Inc.*

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Welcome to the ninth issue of the *Retirement Readiness Report*, offered as a free resource, to help you think about how your organization supports the transition into retirement.

We encourage you to contact us at any time if you have ideas, criticisms, or other comments about this publication, or wish to update your email address (or be added to or removed from the list).

*If you missed issues #1 thru #8:*

They're available at:

<http://www.retirementworks2.com/support.asp?id=newsletter>

*Next month:*

The effect of retirement on couples

## When retirement arrives early

Adjusting to retirement, and making smart decisions about all the issues one faces at that time of life, is a challenge even for people who have been planning for the occasion, and looking forward to it, for a long time.

How much more difficult it is when retirement comes unexpectedly! As most of you are well aware, retirement can happen with very little notice when employers have to lay off people, or offer retirement packages to them. By design, these steps are usually kept quiet until they are about to occur.

Retirement also happens unexpectedly because of accident or illness, when these contingencies befall older employees, or their partners.

There are two broad areas of problems that these situations create.

The first is psychological. Being let go, and often even receiving an incentive to leave, is inherently demeaning. It says, "We still need people here, but not you." Even if this is not the intent of the employer, the employee will often feel that way, or will feel that family and friends and colleagues will look at it that way, so it can be embarrassing as well as demeaning. On top of that is all the turmoil and stress of adjusting to the new reality.

For those retiring early because of illness or disability, instead of shame there is the emotional stress of a sudden and probably permanent diminishment in one's own (or one's partner's) physical capacity. The picture of a fun, leisurely retirement has suddenly smashed to the floor, replaced by either a life of at least partial disability or a role as a permanent caregiver, to some degree. Not to mention the physical and emotional stress of the medical issues, and the financial consequences.

And speaking of finances, that is the second broad area of problems caused by unexpected retirement.

Those who have been planning for retirement at a later date see their plans suddenly accelerated. They usually know right away that an unexpected retirement is going to cause them financial difficulty, because they know they are not ready yet.

Those who have not been planning are even worse off. In most cases, they have a regrettably accurate gut feeling that they are suddenly in financial trouble, and quite possibly big trouble.

If the unexpectedly retired employee is unable to work because of disease or accident, disability insurance can cushion the blow. But since this kind of coverage pays only a fraction of prior earnings, and is temporary to boot, it may keep the family afloat for a while, but it doesn't set them up for retirement.

And even if the employee is able to work, there is legitimate concern about whether an older person can get a new job that adequately replaces the one that was

lost. When younger employees are let go, you can usually assume that they will be back on somebody's payroll pretty soon. When an older employee is pushed out, though, this can't be taken for granted.

How are these psychological and financial problems addressed?

***“For the employee who feels like he or she has just been pushed off of a high ledge, some kind of timely help can be the determining factor in whether a misfortune turns into a disaster.”***

When layoffs occur, most employers (at least most larger ones) provide access to some kind of outplacement service. The best of these deal, to some extent, with the psychological adjustments, with the short-term financial implications, and with the transition to new work. But for older employees, this is not enough, in two respects.

First, “outplacement” is not applicable to employees forced into retirement by disability. Yet their

adjustment is probably more complex and difficult than that of the employee who was laid off (especially if the latter was given a good severance package or early retirement offer).

Second, outplacement services, valuable as they are, are generally short-sighted. Their goal is to get the employee through a transition, usually (if successful) to a new job or perhaps a new business of one's own. But if the transition is to retirement, there is not much these services can do.

In these situations, therefore, there is the need for a different kind of help. In most respects, it is the same kind of advice that *all* retiring employees need, and which we have discussed in earlier issues of the *Retirement Readiness Report*: i.e., help with both the financial and non-financial aspects of retirement as they seem likely to play out over the next twenty or thirty or more years. When retirement comes early, the general problems are the same, and to some extent they can have the same solutions – though the emphasis and the urgency are likely to differ.

The biggest difference, as noted before, is in preparation time. Even if the employer is munificent enough to provide retirement preparation for workers in their last year of service – classroom discussions, reading material, at-home exercises, software, maybe even extra time off – the suddenness of an unexpected retirement makes such offerings inapplicable.

Materials (books and software) could still be provided, and could be a great deal of help. This is probably the least that should be done.

If the employer is financially able, consultation with a local life coach and/or financial advisor, in lieu of outplacement, can also be of tangible benefit as well as providing some psychological comfort. It would not be very expensive to pay for at least a few sessions.

For the employee who feels like he or she has just been pushed off of a high ledge, some kind of timely help offered by the employer (or by the union, if there is one) can be the determining factor in whether a misfortune turns

into a disaster. It's the only real hope for a "soft landing."

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### Recommended Reading for Employees Getting Ready to Retire

***Ready or Not – Your Retirement Guide***, edited by Elizabeth M. McFadden

\$15.00 (MEI Publishing, Inc., 2008 – 35<sup>th</sup> edition)

**Notice: We do not sell books, or have any financial stake in recommending them.**

You may have already seen this or an earlier edition of this book, which the IFEBP liberally distributes to its members and to others (they also offer bulk discounts through their bookstore; call 888-334-3327 for more info).

We approve of this book because it does the three things you most want a retirement book to do: cover all the ground, provide sensible advice, and do it a fashion that is comfortable and readily understood.

Using a team of expert contributors, *Ready or Not* touches on almost all of the key issues in a

pithy way, using plain language, helpful checklists and worksheets, and occasional cartoons to keep the atmosphere light. It covers financial and legal matters, consumer education, wellness, health insurance, housing, post-retirement employment, leisure activities (including volunteering), family issues, and issues specifically related to women in retirement.

In the financial area, there is some inappropriate focus on creating savings plans *before* retirement, with not enough attention to what should be done with one's money *during* retirement. So this book needs to be supplemented with something else that will help fill that gap.

But we still admire it for covering an amazing number of individual topics in only 124 large-format, easy-to-read pages, and doing so in mostly very helpful, insightful ways.

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### Featured Website

***RetirementWorks II***

<http://www.RetirementWorks2.com>

Fair warning: this is our website. But our purpose here is to refer you and your older employees to really good sites, and if ours was one of the better ones, we wouldn't be qualified even to produce this *Report*.

So what's special about it? The main thing is that it provides the only place where retirees and near-retirees can get an overall financial plan keenly targeted to their individual needs, at a very affordable price. They can get advice on a broader range of financial subjects, using a much smarter software tool, than what even the biggest financial companies and pension plans offer. And they can get it at a small fraction of what a paid professional advisor would charge.

This may seem a bit implausible, but here's why it's true. Most other financial software is ultimately geared toward the sponsor's business – normally money management. Unless your older employees are wealthy, though, money management is no longer their primary financial need. What most retirees need to worry about is *cash flow* management,

which means that *all* aspects of their finances are important. And big-impact items that the retiree can control – such as how much or little they work for pay, and how much they spend – are the most critical issues. Firms mainly interested in money management rarely even try to deal constructively with such issues.

RetirementWorks II represents an investment of \$1.5 million in the development of financial software usable by ordinary folks, but capable of doing very complex calculations and providing smart recommendations on all the key financial decisions your older employees have to make when they retire: when to start taking Social Security, what to do with their pension plans, what to do about health and long-term care risks, whether they need to cut back their expenses, whether they can actually afford to retire or not, and many others.

All this is available at a very reasonable price: between \$89 and \$189, depending on what discounts are used. Naturally, we would like to see employers, pension funds, and unions subsidize

this cost, but given today's environment, we understand that this is not always possible.

Still, for the price of a pleasant night out, your older employees can handle this themselves at RetirementWorks2.com, and in one evening make a host of good decisions about their future. (Let us know, and we can make sure your employees get the maximum discount.)

The site includes a helpful video showing how the software works.

### About RetirementWORKS<sup>®</sup>, Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Mass., which has specialized in retirement plans and retirement planning since 1994.

Our philosophy is that retirement needs to be viewed from the retiree's point of view, in all of its complexity. So we offer the most powerful and useful financial software available anywhere for retirees and near-retirees, and advice concerning non-financial aspects of retirement. But we do not sell any financial products or services other than software, and have no financial stake in any advice that is offered.

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